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Dhahran for Under Secretary Irwin.

Oil Situation Report No. Five from State Dept Operations Center.

(OC/T: Please transmit the attached Situation Report No. Five of the Oil Task Force to the above addressees.)

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DHAHRAN FOR UNDER SECRETARY IRWIN

OIL SITUATION REPORT NO. FIVE FRM STATE DEPT OPERATIONS CENTER

SITUATION REPORT NO. 5 AS OF 1500 HOURS EST JANUARY 18, 1971

SECRET

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1. UNDER SECRETARY IRWIN'S MISSION - TEHRAN

THE UNDER SECRETARY DEPARTED TEHRAN JANUARY 18 AFTER ENCOURAGING CONVERSATIONS WITH THE SHAH AND MINPET AMOUZEGAR. THE LATTER URGED THAT THE "IRANIAN POINT OF VIEW" ON THE TENSE OIL SITUATION BE EXPLAINED TO THE ARRIVING CONSORTIUM REPRESENTATIVES SO THAT THE TALKS WILL NOT BE DERAILED AT THE OUTSET.

AMOUZEGAR FELT THE CONSORTIUM PROPOSAL WAS SUBSTANTIALLY CONSISTENT WITH THE DECEMBER OPEC RESOLUTIONS, BUT DESCRIBED THEIR DEMAND FOR AN OPEC-WIDE AGREEMENT AS EITHER FOOLISH OR DISHONEST. A WORLD-WIDE SETTLEMENT, HE BELIEVED, WOULD FORCE THE MODERATES TO DEMAND NO LESS THAN THE RADICAL ARABI STATES. HE SUSPECTED HOWEVER, THAT THE COMPANIES HAD HOPED THEREBY TO SOW DISSENTION IN OPEC RANKS AND FORESTALL ANY AGREEMENT AT ALL. HE THREATENED DIRE REACTION TO THIS PLAY. ON THE OTHER HAND, HE PLEDGED CONTINUED ADHERENCE TO ANY PERSIAN GULF PRODUCERS' AGREEMENT, THUS FORESTALLING THE PRICE-INFLATING "RATCHET" EFFECT FEARED BY THE COMPANIES.

THE UNDER SECRETARY AND AMBASSADOR MCARTHUR AGREE WITH THE UTILITY OF BRIEFING THE COMPANY REPRESENTATIVES AS TO THE GULF PRODUCERS' POSITION. DEPARTMENT CONFIRMATION IS REQUIRED.

2. FURTHER ITINERARY

THE UNDER SECRETARY'S PARTY ARRIVED IN RIYADH MONDAY AFTERNOON FOR TALKS ON TUESDAY WITH KING FAISAL. MR. IRWIN WILL DEPART THE SAME DAY FOR KUWAIT. IT NOW SEEMS LIKELY THAT, ON DEPARTING KUWAIT JAN. 21, THE UNDER SECRETARY'S PARTY WILL STOP BRIEFLY IN TUNIS. A VISIT TO LIBYA IS NOT YET RULED OUT BUT DOES NOT SEEM LIKELY.

3. JOINT LIBYAN - ALGERIAN OIL STATEMENT

CONFIRMING HEAVY SPECULATION OF CLOSELY COORDINATED ACTIVITY IN OIL MATTERS, LIBYAN DEPUTY PRIME MINISTER JALLOUD AND ALGERIAN INDUSTRY AND ENERGY MINISTER ABDESSALEM ISSUED A JOINT COMMUNIQUE IN ALGIERS JAN. 17 REITERATING AND EXRRESSING JOINT SUPPORT FOR EACH OTHER'S NEGOTIATING POSITION. THEIR DECLARATION INDICATES SOME DISCOMFITURE IN THE FACE OF LAST

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SATURDAY'S JOINT PRODUCING-COMPANY STATEMENT CALLING FOR OPEC-WIDE NEGOTIATIONS. [redacted] CONFIRMED THIS IN A REPORT OF HIS CONVERSATION WITH THE TWO MINISTERS SHORTLY AFTER THEIR COMMUNIQUE. THEIR UNHAPPINESS WAS PARTICULARLY DIRECTED TOWARD THE COMPANY PROPOSAL THAT THERE BE NO TAX-RATE INCREASE, RETROACTIVE PAYMENTS OR OBLIGATORY REINVESTMENT, WHICH THEY SAW AS SPECIFICALLY DIRECTED AGAINST ALGERIA AND LIBYA. B1

4. OIL COMPANY MEETING WITH LIBYANS:

REPRESENTATIVES OF BUNKER HUNT AND OF THE OASIS GROUP (AMERADA-HESS, CONTINENTAL, AND MARATHON) BUT NOT SHELL, MET MINPET MABROUK ON MORNING OF JAN. 18 (OCCIDENTAL WAS NOT CALLED IN.)

WITH JALLOUD'S ABSENCE IN ALGERIA, MABROUK AGAIN REPEATED LIBYAN REFUSAL TO NEGOTIATE IN AN OPEC-WIDE CONTEXT ON TAX RATES, REINVESTMENT AND TRANSPORTATION DIFFERENTIALS.

HE CONTINUED TO BE VAGUE ON WHAT WAS NEXT DESIRED FROM THE COMPANIES. FURTHER DEVELOPMENTS AWAIT JALLOUD'S RETURN SOMETIME ON JANUARY 18. [redacted] THE NEXT MEETING MAY BE HELD JANUARY 21. B4

5. KUWAIT VIEWS ON INDUSTRY STATEMENT AND UNDER SECRETARY'S VISIT

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